

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5035H.01P  
Bill No.: Perfected HB 2430  
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Motor Vehicles; Department of Revenue; State Tax Commission  
Type: Original  
Date: February 21, 2024

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Bill Summary: This proposal modifies provisions relating to personal property valuations.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund	\$0	(\$627,074)	(\$627,074)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(\$627,074)</b>	<b>(\$627,074)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government*</b>	<b>\$0</b>	<b>(More or Less than \$137,740,448)</b>	<b>(More or Less than \$137,740,448)</b>

\*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 137.073 as amended by HA1 New Construction and Personal Property

**Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth.

**Oversight** notes omitting the increase in value from motor vehicles from new construction in the rate setting calculation would result in a higher adjusted assessed value (the denominator) relative to the authorized revenues (the numerator) in the rate setting calculation. This would reduce the tax rate applied to total assessed values thereby reducing revenues for all tax entities.

**Oversight** notes this proposal could reduce allowable revenue growth for local taxing entities over time.

**Oversight** notes HA 1 sets tax year 2026 as the base year for this provision. Therefore, Oversight will show an unknown loss in property tax revenue to local political subdivisions from this change beginning in FY 2027.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ( $(\text{Total Assessed Value}/100) \times .03$ ). Because this proposal alters only components of the rate setting calculation, it does not limit the assessed value portion of this equation, therefore the Blind Pension Fund will not be impacted by this proposal.

In response to a previous version of this proposal, officials from the **Howell County Assessor** note currently no software in use for assessment purposes has the ability to segregate market value increases of vehicles from new vehicles added to the assessment roll.

In response to a previous version of this proposal, officials from the **Lincoln County Assessor** note by not allowing the personal property increases as new construction - school districts in particular will not receive the tax increase windfalls they have received in the past - therefore being more fair to the taxpayers.

#### HA 1 Section 137.115 Personal Property Assessment

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would reduce the assessment percentage used of market value when determining an item's assessed value. This proposal would reduce the rate from 33.33% to 31% starting in calendar year 2025.

Property taxes are levied for a calendar year, with the taxes owed by December 31<sup>st</sup> of that year. Therefore, a reduction to a tax year’s assessed value will impact collections for the following fiscal year. For example: tax year 2025 reduction will impact FY26 collections.

B&P notes that there are subclasses within personal property that are already assessed at a lower rate. B&P assumes that those items would remain assessed at their current lower rates. Table 1 shows the current and proposed assessment percentage by property type.

Table 1: Personal Property Assessment Rates

Property Type	Current Assessment Rate	Proposed Assessment Rate
Livestock	12%	n/a
Farm Machinery	12%	n/a
Vehicles - motor and recreational	33.33%	31%
Grain and other Crops	1%	n/a
Manufactured Homes (Dwelling Units)	19%	n/a
Historical MVs and Aircraft, Kit Aircraft	5%	n/a
Pollution Control Tools and Equipment	25%	n/a
All Other Tangible Personal Property	33.33%	31%
State Assessed Utility Personal Property	33.33%	31%

Based on data published by STC, the assessed value for impact personal property was \$28,724,217,266. Under this proposal the assessed values would have been \$26,716,193,677. Table 2 shows the current and proposed assessed value by property type.

Table 2: Assessed Values

Property Type	Current (2022)	Proposed
Vehicles - motor and recreational	\$20,659,394,897	\$19,215,158,770
All Other Tangible Personal Property	\$6,953,198,006	\$6,467,120,858
State Assessed Utility Personal Property	\$1,111,624,363	\$1,033,914,049
<b>Total</b>	<b>\$28,724,217,266</b>	<b>\$26,716,193,677</b>

Using the 2022 property tax levy audit report, B&P estimated a revenue weighted statewide local property tax levy. Therefore, B&P estimates that this provision could reduce revenues to the

Blind Pension Trust Fund by \$570,662 and local revenues by \$130,935,324 annually beginning FY26. Table 3 shows the estimated impact by property type.

Table 3: Estimated Impact

Property Type	Blind Pension Fund	Local Property Tax
Vehicles - motor and recreational	(\$410,438)	(\$94,172,960)
All Other Tangible Personal Property	(\$138,139)	(\$31,695,180)
State Assessed Utility Personal Property	(\$22,085)	(\$5,067,184)
<b>Total</b>	<b>(\$570,662)</b>	<b>(\$130,935,324)</b>

The **County Employees' Retirement Fund (CERF)** has reviewed the perfected version of HB 2430 (5035H.01P). In House Amendment 1, Section 137.115.1 would have a negative fiscal impact to CERF. A certain portion of the moneys that are used to fund CERF are tied to the collection of property taxes. By reducing the assessment percentage of personal property from 33.3% to 31%, this amendment would reduce the moneys that fund CERF. CERF notes that the amount of these revenues fluctuates from year to year. CERF notes that there is insufficient information to quantify the exact impact but CERF assumes that the impact would be negative. CERF would expect the changes in this bill to result in a deterioration of CERF's funding over time. Unless the funding is replaced with other sources, it likely has serious implications for CERF's sustainability including the possibility that the plan assets might be depleted.

**Oversight** assumes this provision reduces the percentage at which personal property is assessed, effectively reducing the assessed value over time.

Property Type	Current	Proposed
Personal Property	33.3%	31%

**Oversight** estimated the difference between the proposed assessed values and the 2023 assessed values in the table below according to the [State Tax Commission](#).

Property Type	Assessed Value Current	Full Value	Assessed Value Proposed	Difference in Assessed Value
Personal Property (Vehicles)	\$20,892,870,233	\$62,741,352,051	\$19,449,819,136	(\$1,443,051,097)
Personal Property (Other)	\$8,093,081,726	\$24,303,548,727	\$7,534,100,105	(\$558,981,621)
Personal Property	\$1,277,168,311	\$3,835,340,273	\$1,188,955,485	(\$88,212,826)

(Centrally Assessed)				
<b>Total</b>	<b>\$30,263,120,270</b>	<b>\$90,880,241,052</b>	<b>\$28,172,874,726</b>	<b>(\$2,090,245,544)</b>

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)\*.03). Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law. Oversight estimated the impact to the Blind Pension Fund in the table below.

Property Type	Difference in Assessed Value	Blind Pension Fund Impact (difference in assessed value /100 * .03)
Personal Property (Vehicles)	(\$1,443,051,097)	(\$432,915)
Personal Property (Other)	(\$558,981,621)	(\$167,694)
Personal Property (Centrally Assessed)	(\$88,212,826)	(\$26,464)
<b>Total</b>	<b>(\$2,090,245,544)</b>	<b>(\$627,074)</b>

**Oversight** calculated an effective local property tax rate of approximately 6.6%. Oversight used the effective local property tax rate to estimate the reduction of local property tax collections under this proposal.

Property Type	Property Tax Paid*	Assessed Value	Effective Local Tax Rate
Personal Property (Vehicles)	\$1,377,089,993	\$20,892,870,233	6.6%
Personal Property (Other)	\$533,034,091	\$8,093,081,726	6.6%

\* Excluding the Blind Pension Fund revenue.

Property Type	Difference in Assessed Value	Local Impact (difference in assessed value x 6.6%)
Personal Property (Vehicles)	(\$1,443,051,097)	(\$95,114,324)
Personal Property (Other)	(\$558,981,621)	(\$36,816,168)
Personal Property (Centrally Assessed)	(\$88,212,826)	(\$5,809,955)

<b>Total</b>	<b>(\$2,090,245,544)</b>	<b>(\$137,740,448)</b>
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**Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Property tax rates will be impacted by this proposal.

**Oversight** notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

**Oversight** notes this provision starts on January 1, 2025. Oversight will note the fiscal impact to the Blind Pension Fund and local political subdivisions beginning in FY 2026.

### **Responses regarding the proposed legislation as a whole**

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have a negative fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax as a source of revenue.

Based on the State Tax Commission 2023 Annual Report, 13.94% of assessed valuation is attributed to motor vehicles (\$149,871,883,818 X .1394= \$20,892,140,604 assessed valuation) and 13.46% of property taxes collected were attributed to motor vehicles (\$10,230,980,631 \* .1346= \$1,377,089,993).

Dropping the assessed valuation percentage to 31% from 33.3% would drop the assessed valuation to 19,449,139,902 (20,892,140,604/.333). The tax collections from the reduced valuation would equal:

1,281,975,669  $([\$19,449,139,902 * \$1,377,089,993]/\$20,892,140,604=\$1,281,975,669)$ .

The resulting reduction in taxes statewide would be \$95,114,324 (\$1,377,089,993-\$1,281,975,669) spread across the 2,650 taxing jurisdictions reliant on property taxes for funding.

Officials from the **Daniel Boone Regional Library** note the impact for just one of their library districts, Columbia and Boone County Library District, would be a loss of approximately \$172,406 in 2025 and yearly thereafter.

Officials from the **Callaway County SB 40 Board** assume a fiscal impact of an indeterminate amount.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Newton County Health Department, Phelps County Sheriff, Kansas City Police Dept., St. Louis County Police Dept,** and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>BLIND PENSION FUND</b>			
<u>Revenue Reduction</u> - §137.115 - Personal property change in assessed value	\$0	(\$627,074)	(\$627,074)
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b>\$0</b>	<b>(\$627,074)</b>	<b>(\$627,074)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs – Counties – §137.073</u> - to administer the changes in assessment from this proposal	\$0	\$0	(Unknown)
<u>Revenue change</u> - §137.073 - Personal property value increases not considered new construction	\$0	\$0	(Unknown)
<u>Revenue Reduction</u> - §137.115 - Personal property change in assessed value*	\$0	(More or Less than \$137,740,448)	(More or Less than \$137,740,448)



<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b><u>(More or Less than \$137,740,448)</u></b>	<b><u>(More or Less than \$137,740,448)</u></b>

\*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal.

FISCAL IMPACT – Small Business

There could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

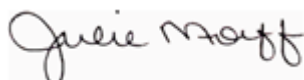
FISCAL DESCRIPTION

The proposed legislation modifies provisions relating to personal property valuations.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
 State Tax Commission  
 County Employees’ Retirement Fund (CERF)  
 Office of the State Auditor  
 Howell County Assessor  
 Lincoln County Assessor  
 Daniel Boone Regional Library  
 Callaway County SB 40 Board  
 City of Kansas City  
 Newton County Health Department  
 Phelps County Sheriff  
 Kansas City Police Dept.  
 St. Louis County Police Dept



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 February 21, 2024



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